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Retirement

Will Your Money Last?

Nobody can predict how long you'll spend in retirement. But one thing is certain: You don't want to run out of money. Consider the following when estimating how long your savings will last.

Your Earnings

The rate of return on your savings and investments may play a big role in making your money last.

However, there's no way to predict your investments' performance over time. It may be useful to remember that stocks historically have provided higher returns than more conservative investments over the long term, so keeping a portion of your portfolio invested in stocks after you retire may be a good idea.*

Your Withdrawal Rate

The percentage of your savings that you withdraw each year may have a significant impact on how long your money lasts. So it's important to calculate the amount you can withdraw without running out of money based on a specific time hori-



zon — 30 or 40 years, for example. You may need to adjust your withdrawal amount in some years depending on your returns and on the inflation rate.

The Rate of Inflation

Over time, everything costs more, even when inflation is low. So the longer you spend in retirement, the more the buying power of your savings may be reduced by inflation.

Your Expenses

Estimating expenses in retirement can be tricky. You may have to replace expensive items such as your car or your furnace. And people often underestimate health care expenses, so make sure you budget for

deductibles, copays, and supplemental insurance or Medigap premiums.

Your Longevity

You don't know how many years you'll spend in retirement, so planning for a 30-to-40-year lifespan is a wise move.

* *Past performance doesn't indicate future results.*

Revamp Your Retirement Homestead

Retirement: It may not be looming, but that shouldn't stop you from planning for it. Not the money part. You're already taking care of that by contributing to your employer's retirement plan or an individual retirement account (right?). But what about the living part? If you plan to remain in your home during your retirement years, revamping it while you're still working can ensure that your home will be ready for retirement when you are.

Need Some Space?

If pursuing a hobby or starting a business is part of your plan, creating a space to work may be on your agenda. An unused room or alcove or a corner of your basement or attic might be the perfect spot. Getting started on the makeover now will prevent any delay when you're ready to roll.

Make Room

Preparing your home for an aging parent or other relative may take more effort than just cleaning out the extra bedroom. You might have to install railings and banisters, widen doorways, improve lighting and flooring, or add bathing facilities to a downstairs bathroom. Transitioning a first-floor family room into private space for your parent may be something to consider. On the plus side: You'll benefit from these changes yourself if you plan to stay in your home as you age.

A Big Payoff

Being debt free as you head into retirement is a worthy goal. Paying off your mortgage and any home equity line of credit you have can free up money for living expenses and leisure activities.

Change of Plans

Even if your plans are to remain in your current home, you could have a change of heart after you retire. If you sell your home, you may be able to exclude up to \$250,000 of gain on the sale from your income (up to \$500,000 if you file jointly). To qualify for the exclusion, you generally must have owned and used your home as your main residence for at least two of the five years prior to the sale and not have excluded gain from another home sale during the two previous years.



“Retirement only means that it is time for a new adventure.”

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